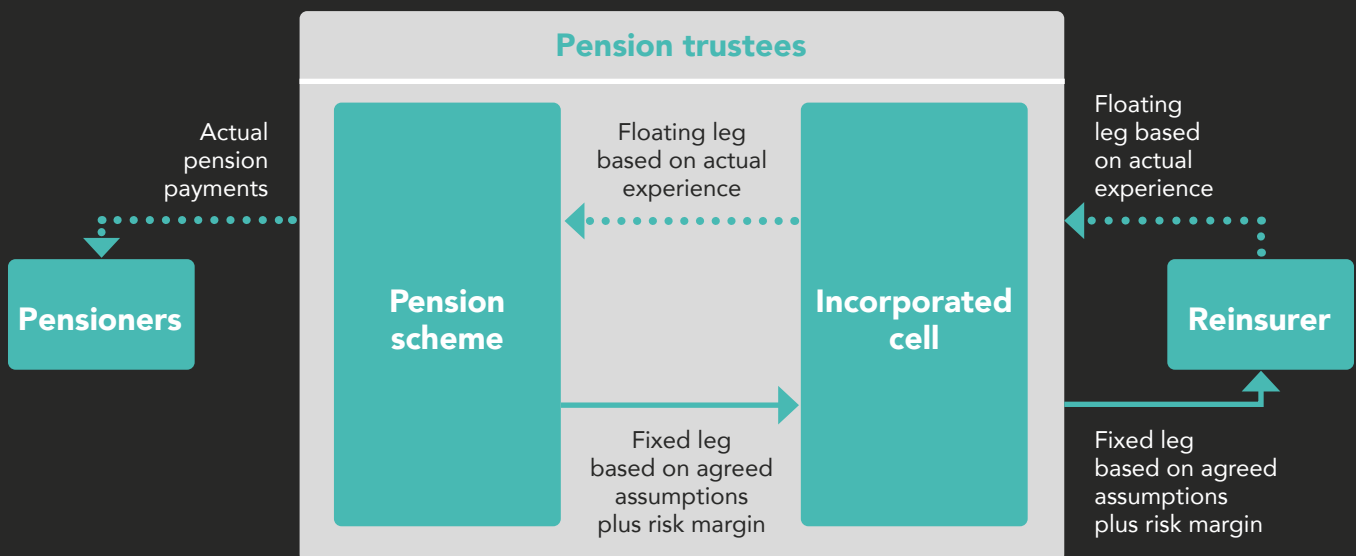


Longevity Risk Transfer Tailored Services



How it operates



The challenge

Pension Fund Trustees have an obligation to manage and mitigate the risks faced by the Pension Scheme. One of the risks that has been increasing in recent years is around longevity, as people are living longer due to a combination of factors such as medical advances and more health conscious lifestyles.

Longevity swaps have been around since 2008 but these tended to be transacted with insurers or banks who then mitigated their risk through the purchase of insurance/reinsurance. Inevitably this adds to cost and complexity.

The reinsurance market remains competitive but the reinsurers themselves are only able to deal with regulated insurance companies and not directly with Pension Schemes.

The Solutions

In order to achieve a solution to this problem, a Pension Trustee can form a Guernsey Incorporated Cell (IC) which then issues an insurance contract to the Pension Scheme. The IC then cedes 100% of the risk to the chosen reinsurer.

As sole shareholders of the IC, the Pension Trustees have greater transparency over its activities and governance than under a pure contractual relationship with an insurer.

Whilst there will always be the need to provide assets as collateral to cover experience (based on the results of the fixed to floating swap) and fronting fees, recent advances in structuring have meant that it is now possible for the collateral to be held at Pension Scheme rather than IC level thereby mitigating any impact on investment policies.

Robus Group offers two options to Pension Trustees seeking to enter into a longevity swap arrangement:

Robus Insurance ICC (Guernsey) Limited

Robus Group has established an independently-owned Incorporated Cell Company (ICC) which has been created for the sole purpose of facilitating pension longevity swaps. Pension Trustees can utilise this structure to form their own IC, providing an efficient and cost-effective mechanism by which swaps can be transacted.

Bespoke

Robus Group specialises in creating vehicles which are wholly tailored to its clients' requirements.

The formation of a bespoke ICC allows Pension Trustees full control of the structure and ICs formed on its platform.

Key features

- + An established, independently owned facility which allows Pension Trustees to select other service providers for key roles such as calculation agent or actuarial advisor
- + Domiciled in Guernsey which is Europe's largest captive centre and also the domicile of choice for all recent captive based longevity swaps
- + Independent and innovative Insurance Manager regulated by the Guernsey Financial Services Commission with practical experience of dealing with the formation and administration of ICs and longevity swaps

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